

BANK INDONESIA REGULATION

NUMBER 10/ 11 /PBI/2008

CONCERNING

BANK INDONESIA SHARIA CERTIFICATE

WITH THE BLESSING OF THE ONE GOD

THE GOVERNOR OF BANK INDONESIA,

- Considering : a. whereas in order to realize the objective to achieve and maintain the stability of the rupiah, Bank Indonesia assumes the task to formulate and implement monetary policy;
- b. whereas in order to support the task to formulate and implement the monetary policy, Bank Indonesia is able to implement its monetary policy through open market operations based on sharia principles;
- c. whereas in order to improve the efficacy of monetary policy implementation through open market operations based on sharia principles, it is necessary to issue Bank Indonesia Sharia Certificate;
- d. whereas pursuant to the considerations set forth in letter a, letter b, and letter c, it is deemed necessary to regulate provisions concerning Bank Indonesia Sharia Certificate in a Bank Indonesia Regulation.

In view of : 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);

2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED :

To enact : BANK INDONESIA REGULATION CONCERNING BANK INDONESIA SHARIA CERTIFICATE

CHAPTER I

GENERAL PROVISIONS

Article 1

Terminologies used in this Bank Indonesia Regulation are defined as follows.

1. Sharia Commercial Bank, hereinafter to be referred to as BUS, is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business based on sharia principles.
2. Sharia Division, hereinafter to be referred to as UUS, is :
 - a. a business unit in a conventional bank head office performing functions as the parent office of sharia branch offices and/or sharia units; or

b. a business ...

- b. a business unit in a conventional branch office of foreign bank performing functions as the parent office of sharia sub-branch offices and/or sharia units.
3. Sharia Principles are the sharia principles as referred to in Article 1 number 13 Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998.
 4. Bank Indonesia Sharia Certificate, hereinafter to be referred to as SBIS, is a short-term securities denominated in the rupiah issued by Bank Indonesia based on Sharia Principles.
 5. Bank Indonesia - Scripless Securities Settlement System, hereinafter to be referred to as BI-SSSS, is a system that facilitates transaction with Bank Indonesia including its administration and electronic securities administration, seamlessly interconnected among participants, the Operator, and the Bank Indonesia - Real Time Gross Settlement System (BI-RTGS).
 6. Repurchase Agreement Transaction of SBIS, hereinafter to be referred to as Repo SBIS, is a transaction of loan extended by Bank Indonesia to BUS or UUS with SBIS as collateral (collateralized borrowing).
 7. Demand Deposit Account is a rupiah account with Bank Indonesia owned by BUS or UUS.
 8. Securities Account is an account with the BI-SSSS owned by BUS or UUS which is used for the registration of SBIS ownership.
 9. SBIS Transaction is an SBIS purchasing and/or Repo.

CHAPTER II

ISSUANCE OBJECTIVES

Article 2

SBIS issued by Bank Indonesia is one of instruments in Open Market Operation (OMO) in effort of monetary policy implementation based on Sharia Principles.

CHAPTER III ...

CHAPTER III

AGREEMENT AND CHARACTERISTICS

Article 3

SBIS issued by Bank Indonesia shall use a *Ju'alah* agreement.

Article 4

SBIS has characteristics as follows.

- a. in unit price of Rp1,000,000.00 (one million rupiah);
- b. with a minimum tenor of 1 (one) month and maximum tenor of 12 (twelve) months;
- c. issued without paper (scripless);
- d. may be collateralized to Bank Indonesia; and
- e. non-tradable in secondary markets.

CHAPTER IV

RIGHTS

Article 5

- (1) Bank Indonesia shall stipulate and provide rights on issued SBIS.
- (2) Bank Indonesia shall pay the rights as referred to in paragraph (1) upon SBIS maturity.

CHAPTER V

ISSUANCE MECHANISM

Article 6

- (1) Bank Indonesia shall issue SBIS through an auction mechanism.
- (2) The issuance of SBIS as referred to in paragraph (1) shall employ the BI-SSSS.

Article 7

- (1) Party eligible to hold SBIS is BUS or UUS.
- (2) The BUS or UUS as referred to in paragraph (1) is required to meet requirements of a Financing to Deposit Ratio (FDR) stipulated by Bank Indonesia.

(3) The ...

- (3) The BUS or UUS as referred to in paragraph (1) may hold SBIS by SBIS direct bidding and/or through rupiah and foreign exchange brokerage companies.

Article 8

Bank Indonesia may cancel the SBIS auction results as referred to in Article 6.

CHAPTER VI

REPO SBIS

Article 9

- (1) Any BUS or UUS may propose Repo SBIS to Bank Indonesia.
- (2) The Repo SBIS as referred to in paragraph (1) shall be based on *qard* principle which is followed by *rahn*.
- (3) The BUS or UUS proposing Repo SBIS as referred to in paragraph (1) is required to sign up an Agreement on the Collateralization of SBIS in purpose of Repo SBIS and submit requisite supporting documents to Bank Indonesia.
- (4) Bank Indonesia shall stipulate and charge a fee on the Repo SBIS.

CHAPTER VII

ADMINISTRATION

Article 10

- (1) Bank Indonesia shall administer SBIS in an electronic administration system in the BI-SSSS.
- (2) The administration system managed Bank Indonesia as referred to in paragraph (1) shall cover SBIS Transaction settlement and ownership registration systems.
- (3) The SBIS ownership registration system as referred to in paragraph (2) shall be conducted without paper (scripless).

Article 11

- (1) Any BUS or UUS conducting SBIS Transaction is required to hold Demand Deposit Account and Securities Account for SBIS Transaction settlement.
- (2) Any BUS or UUS purchasing SBIS is required to hold an adequate balance in

its ...

its Demand Deposit Account to fulfill its liabilities in SBIS purchasing transaction settlement.

- (3) Any BUS or UUS proposing Repo SBIS is required to hold an adequate balance in its Securities Account and Demand Deposit Account to fulfill its liabilities in Repo SBIS settlement.

Article 12

In the SBIS Transaction settlement as referred to in Article 11 Bank Indonesia is authorized to :

- a. debit Demand Deposit Account on the purchase of SBIS by BUS or UUS; or
- b. debit Securities Account and Demand Deposit Account on the Repo SBIS including transferring SBIS registration in purpose of collateralization.

Article 13

- (1) Bank Indonesia shall conduct SBIS redemption upon maturity amounting to nominal value.
- (2) Bank Indonesia shall pay the rights as referred to in Article 5 upon SBIS maturity; or
- (3) Bank Indonesia may pay the SBIS rights before maturity if BUS or UUS fails to fulfill Repo SBIS liabilities.

CHAPTER VIII

SANCTIONS

Article 14

- (1) Any SBIS Transaction of a BUS or UUS shall be declared cancelled if the BUS or UUS fails to fulfill the liabilities as referred to in Article 11 paragraph (2) or paragraph (3).
- (2) Bank Indonesia shall impose sanction on BUS or UUS for the SBIS Transaction which is declared cancelled as referred to in paragraph (1) in the form of :
 - a. written warning; and
 - b. financial penalty of 1⁰/₀₀ (one per thousand) of the value of SBIS

Transaction ...

Transaction which is declared cancelled with a maximum amount of Rp1,000,000,000.00 (one billion rupiah) for any SBIS Transaction which is declared cancelled; and

- (3) With no reduction on the sanctions as referred to in paragraph (2), if a BUS or UUS conducts SBIS Transaction which is declared cancelled three times within 6 (six) months, the BUS or UUS shall be imposed sanctions in the form of :
- a. temporary termination to participate in the following week SBIS auction; and
 - b. prohibition of proposition for Repo SBIS for 5 (five) consecutive working days,
- as from the imposition of the written warning as referred to in paragraph (2) letter a.

CHAPTER IX

TRANSITIONAL PROVISIONS

Article 15

Bank Indonesia *Wadiah* Certificates issued prior to the enactment of this Bank Indonesia Regulation shall continue to be valid and comply with provisions in Bank Indonesia Regulation Number 6/7/PBI/2004 dated February 16, 2004, concerning Bank Indonesia *Wadiah* Certificates up to the maturity of the certificates.

Article 16

By the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 6/7/PBI/2004 dated February 16, 2004, concerning Bank Indonesia *Wadiah* Certificate shall be revoked and declared no longer valid.

CHAPTER X

CONCLUDING PROVISIONS

Article 17

All terms of Bank Indonesia *Wadiah* Certificate which have been used in prevailing Bank Indonesia provisions all this time must be read as Bank Indonesia Sharia

Certificate ...

Certificate.

Article 18

Implementation provisions of this Bank Indonesia Regulation shall be further stipulated in Bank Indonesia Circular Letter.

Article 19

This Bank Indonesia Regulation shall come into force since March 31, 2008

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

dated March 31, 2008

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

Promulgated in Jakarta

dated March 31, 2008

THE MINISTER OF LAW AND HUMAN RIGHTS

OF THE REPUBLIC OF INDONESIA,

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 50 OF 2008

DPM

ELUCIDATION ...

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 10/ 11 /PBI/2008

CONCERNING
BANK INDONESIA SHARIA CERTIFICATE

GENERAL REVIEW

Since the enactment of Act Number 23 of 1999 concerning Bank Indonesia as amended by Act Number 3 of 2004, Bank Indonesia has objective to achieve and maintain the stability of the rupiah. To achieve the objective Bank Indonesia assumes the task, among other things, to formulate and implement monetary policy. In order to support the task in formulating and implementing the monetary policy, Bank Indonesia is able to implement its monetary policy through open market operations (OMO) based on Sharia Principles. Furthermore, in order to conduct the OMO based on Sharia Principles, Bank Indonesia is authorized to prescribe OMO instruments to be used.

With the abovementioned background, it is necessary for Bank Indonesia to issue Bank Indonesia Sharia Certificate as one of OMO instruments based on Sharia Principles.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Self-explanatory.

Article 3

“*Ju’alah* agreement” is defined as a promise or commitment (*iltizam*) to
provide ...

provide certain rights (*'iwadh/ju'l*) on accomplishment of a specified target (*natijah*) of an employment.

Article 4

Letter a

Self-explanatory.

Letter b

SBIS tenor shall be stated in a number of calendar days and calculated 1 (one) day after transaction settlement date up to maturity date.

Letter c

Self-explanatory.

Letter d

SBIS may be collateralized to Bank Indonesia in Repo SBIS, Intraday Liquidity Facility, Short-term Financing Facility, or other facilities for BUS or UUS.

Letter e

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Self-explanatory.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

“Rupiah and Foreign Exchange Money Market Brokerage Company” is a company established especially to conduct brokerage service for its customers’ activities in the rupiah and foreign exchange money market

by ...

by obtaining rights on its services.

Article 8

SBIS auction results may be cancelled in the event of a condition where Bank Indonesia may not determine any auction winner from the whole SBIS incoming bids due, among other things, to a consideration that the incoming bids are far beyond its normal liquidity estimation.

Article 9

Paragraph (1)

Self-explanatory.

Paragraph (2)

“*Qard*” in this provision is defined as a loan without rights requiring that borrowing party repay the loan principal simultaneously in a specific period of time.

“*Rahn*” in this provision is defined as a transfer of collateral from BUS or UUS (*rahin*) to Bank Indonesia (*murtahin*) as a guarantee to obtain *qard*.

Paragraph (3)

Self-explanatory.

Paragraph (4)

“Repo SBIS fee” is defined as a payment liability (*gharamah*) stipulated by Bank Indonesia in Repo SBIS because BUS or UUS fails to fulfill the term of SBIS purchasing agreement.

Article 10

Paragraph (1)

The administration through the BI-SSSS shall be conducted in accordance with applicable provisions concerning BI-SSSS.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self- ...

Self-explanatory.

Article 11

Self-explanatory.

Article 12

Self-explanatory.

Article 13

Self-explanatory.

Article 14

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Self-explanatory.

Article 18

Self-explanatory.

Article 19

Self-explanatory.